

OPENING STATEMENT OF REP. SUE KELLY  
CHAIRWOMAN  
SUBCOMMITTEE ON OVERSIGHT & INVESTIGATIONS  
“Increasing the Effectiveness of State Consumer Protections”  
May 6, 2003

I have called this hearing today to review an issue of the utmost importance to all consumers: the effectiveness of State insurance market conduct oversight. When it comes to insurance needs, consumers deserve to know that they are not being misled by products and that valid claims will be paid quickly. It is the responsibility of State insurance commissioners to efficiently regulate market conduct with the best interest of the American people in mind.

We have with us today, Joel Ario, the Secretary-Treasurer of the NAIC and the Insurance Administrator of Oregon, who will testify that protecting consumers is the first priority of insurance regulation. Commissioner Ario, I could not agree more, and we are here to make sure that State insurance regulators are up to the task.

The NAIC first began to look closely at market conduct regulation in the early 1970's, and admittedly has made some modest improvement since then. Recently, both the NAIC and NCOIL have been reviewing the need to modernize market conduct surveillance to better serve consumers. They have come up with some interesting ideas, particularly after Chairman Oxley requested a GAO investigation. It is promising that there is a greater focus on achieving clear and specific guidelines for proper oversight; however, ideas will only get us so far and the American people deserve action. Far too often, we have seen State Legislatures fail to act upon the good ideas of organizations such as the NAIC and NCOIL. It is only when Congress pressures the States – for example with the NARAB provisions I fought to include in Gramm-Leach-Bliley – that consumers see results

There must also be considerable coordination between States, as the varying nature of market conduct regulation from State to State is quite problematic. Across the country, we have seen consumers harmed by the current patchwork of State systems that involve too much duplication, with too few standards, and no systematic approach to detect patterns of improper conduct. The negative impact on consumers is twofold. First, consumers suffer higher prices and less choice due to overlapping, inefficient requirements which needlessly increase the cost of doing business. Second, consumers are exposed to bad actors who slip through the regulatory gaps due to the improper targeting of resources. We need to develop a systematic,

comprehensive approach with clear standards that will target resources more efficiently. Until then, a lack of consistency from State to State will continue to hurt all Americans by undermining protections and driving up costs.

While State regulation of insurance market conduct has not served consumers well in some respects, I would like to stress that these inadequacies should not be interpreted as a need for more regulation – which could further harm consumers. Instead, we must work together to find an efficient and effective way to regulate insurance market conduct without creating more unnecessary burdens on the entire industry. Put simply, we do not need to pursue more regulation, but more effective regulation.

I would like to thank you for appearing before the Subcommittee today. I look forward to hearing from you on how we can accomplish these goals.